



April 28, 2014

Dawn Barett
President
Massachusetts College of Art & Design
621 Huntington Avenue
Boston, Massachusetts 02115

UPS Tracking Number
1ZA879640298630897

RE: **Final Program Review Determination**
OPE ID: 002180
PRCN: 2012-101-27730

Dear Dr. Barett:

The U.S. Department of Education's (Department's) School Participation Team – New York/Boston issued a program review report on February 6, 2012 covering Massachusetts College of Art & Design's administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2010/11 and 2011/12 award years. Massachusetts College of Art & Design's final response was received on April 5, 2012. A copy of the program review report (and related attachments) and Massachusetts College of Art & Design's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Massachusetts College of Art & Design upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are \$4,675.00.

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

New York/Boston School Participation Division
5 Post Office Square, 9th Floor, Boston, Massachusetts 02109-3921
StudentAid.gov

This final program review determination contains detailed information about the liability determination for all findings.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report **do not** contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample and Appendix F, Dependency Override File Sample Student Detail. The appendices were encrypted and sent separately to the institution via e-mail.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the February 6, 2012 program review report. If Massachusetts College of Art & Design wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date Massachusetts College of Art & Design receives this FPRD. An original and four copies of the information Massachusetts College of Art & Design submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

Massachusetts College of Art & Design's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see

Massachusetts College of Art & Design
OPE ID Number: 00218000
PRCN Number: 2012-101-27730

(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to Massachusetts College of Art & Design's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Mr. Edward Buckley at 617-289-0132. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6); (b)(7)(C)

Betty Coughlin
Director

Enclosure:

Massachusetts College of Art & Design Program Review Report
Massachusetts College of Art & Design Program Review Report Response

cc: Mr. Aurelio Ramirez, Director of Student Financial Assistance
New England Association of Schools and Colleges
Massachusetts Department of Higher Education

Prepared for

Massachusetts College of Art
& Design



START HERE
GO FURTHER
FEDERAL STUDENT AID

OPE ID: 00218000

PRCN: 2012-101-27730

Prepared by:

U.S. Department of Education

Federal Student Aid

School Participation Division – New York/Boston

Final Program Review Determination

April 28, 2014

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A. Institutional Information

Massachusetts College of Art & Design
621 Huntington Avenue
Boston, Massachusetts 02115

Type: Public

Highest Level of Offering: Doctor's Degree

Accrediting Agency: New England Association of Schools and Colleges - CHE

Current Student Enrollment: 2,405

Title IV Participation:

	<u>2012/2013</u>
Pell Grant	\$ 2,246,120
FDLP Stafford Subsidized	\$ 4,187,586
FDLP Stafford Unsubsidized	\$ 5,325,600
FDLP PLUS	\$ 5,298,277
FDLP Graduate Professional PLUS	\$ 433,252
Federal Perkins Loan	\$ 57,500
Federal SEOG	\$ 119,900
Federal Work Study	\$ 147,192
Total Funding:	\$17,815,427

Default Rate FFEL/DL:

2011:	6.2%
2010:	3.5%
2009:	3.9%

Default Rate Perkins:

2012	25.7%
2011:	20.0%
2010:	16.2%

B. Scope of Review

The U.S. Department of Education (Department) conducted a program review at Massachusetts College of Art & Design (MCAD) from November 14, 2011 to November 18, 2011. The review was conducted by Edward Buckley and Elaine Griffin.

The focus of the review was Return to Title IV Calculations, Loan Disbursement Notification and Perkins Loan Exit Counseling. The review consisted of an examination of MCAD's student financial aid files, student academic transcripts and bursar student files.

A sample of 30 files was identified for review from the 2010/2011 and the 2011/2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning MCAD's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve MCAD of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Finding 2: Satisfactory Academic Policy Not Updated

In response to the program review report, MCAD submitted its revised Satisfactory Academic Progress Policy and in doing so has taken the corrective action necessary to resolve Finding 2 of the program review report. Therefore, this finding may be considered closed. Findings requiring further action by the college are discussed below.

Findings with Final Determinations

The program review report finding requiring further action is summarized below. At the conclusion of the finding is a summary of MCAD's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on February 6, 2012 is attached as Appendix F.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

Finding 1 - Failure to Properly Document Dependency Override

Citation Summary: Section 480(d) of the Higher Education Act of 1965, as amended (HEA), defines an independent student as someone who fits into one or more of six specific categories. Under these categories a student is independent if he or she

- 1) Is 24 years of age or older by December 31 of the award year;*
- 2) Is an orphan or ward of the court or was a ward of the court until the individual reached the age of 18;*
- 3) Is a veteran of the Armed Forces of the United States;*
- 4) Is a graduate or professional student;*
- 5) Is a married individual; or*
- 6) Has legal dependents other than a spouse.*

In addition, an individual who does not qualify as an independent student under one of these six categories may be considered an "independent student" under section 480(d)(7) of the HEA. Under these provisions, a student is considered to be independent if he or she:

Is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

Dear Colleague Letter (DCL) GEN-03-07, May 2003, discusses the conditions that support the use of dependency overrides and the documentation required by the Department for such dependency overrides. It makes clear that since its enactment, the Department has interpreted unusual circumstances in section 480(d)(7) to mean circumstances that make it inappropriate to expect a parental contribution for the student and that this concept has been reflected in earlier guidance.

DCL GEN-03-07 cites guidance provided in the Department's 2002-2003 Application and Verification Guide (AVG), which emphasizes the need to make dependency overrides only for students with unusual circumstances on a case-by-case basis and to document the unusual circumstances that the financial aid administrator relied upon in making the override. It identifies four areas that do not qualify individually, or in combination with each other, as unusual circumstances supporting a dependency override. Those circumstances are:

- 1. Parents refusing to contribute to the student's education;*
- 2. Parents unwilling to provide information on the application or for verification;*
- 3. Parent not claiming the student as a dependent for income;*
- 4. Student demonstrating total self-sufficiency.*

Third party written documentation supporting a student's unusual circumstances is generally required. However the Department recognizes that there may be some instances where the only documentation available to the financial aid administrator is a statement by the student. In these limited cases, a student's statement must include the facts related to the student's unusual circumstances and the institution must include any other pertinent facts in writing.

Some examples of unusual circumstances given in DCL GEN-03-07 are:

- 1. An abusive family environment and the student is no longer living with the parents;*
- 2. Abandonment by the parents (This does not include students moving away from parents);*
- 3. A parent cannot be located.*

The unusual circumstances on which the decision was based must be identified in the written statement and maintained in the file along with supporting documentation. The supporting documentation must include:

- *Abusive family environment* – a signed and dated statement from the student describing the abusive situation that makes it inappropriate to expect a parental contribution. Supporting documentation may include written statements from clergy, social services agencies, neighbors, or other third parties familiar with the student's circumstances. Court or police documents that support the student's statement should be included.
- *Parental abandonment* - a signed and dated statement from the student describing the abandonment that makes it inappropriate to expect a parental contribution. Supporting documentation may include written statements from third parties familiar with the student's circumstances. Supporting documentation including records of attempts to contact the parents should also be included in the student's file.
- *Early exit cadets* – a discharge document confirming the student's discharge from a military academy prep school with other than a dishonorable status. Such students are not veterans for VA purposes but are veterans for Federal Student Aid purposes.

Noncompliance Summary: *There was a lack of consistency in the file documentation of dependency overrides. The written justifications for the overrides were not clearly written. Supporting documentation was not present in all files.*

Required Action Summary: *MCAD was required to conduct a full file study of all "dependency override" student files for the 2010-2011 and 2011-2012 award years. The college was instructed to provide documentation to support its determination of independence for each file identified as a "Dependency Override". If as a consequence of its review the college was unable to provide documentation as described in DCL GEN 03-07 to support its determination of independence by reason of unusual circumstances, the college was instructed to recalculate the student's Title IV, HEA program eligibility as a dependent student. The college was informed that it would be liable for Title IV aid disbursed to the students for which they were not eligible (the difference between dependent and independent Title IV amounts). If parental information was not available and MCAD was unable to recalculate the student's eligibility as a dependent student, the college would be liable for all Title IV funds disbursed to the student*

For each student identified MCAD was required to provide the following information:

1. *Student's full name*
2. *Last 4 digits of the student's Social Security number*
3. *EFC as an independent student*
4. *Original basis for the dependency override*
5. *EFC as a dependent student*

6. *Determination of whether student qualifies for a dependency override in accordance with section 480(d) of the HEA and DCL GEN 03-07. If yes, please provide a brief description of the unusual circumstances and copies of the documents supporting the determination.*
7. *Title IV disbursements by program within award year.*
8. *Difference between the original disbursement and the recalculated disbursement, by award year.*
9. *Copy of the recalculation worksheet.*

In addition, the college was required to revise its procedures to ensure compliance with Section 480 (d) of the HEA and Dear Colleague Letter GEN-03-07. A copy of those procedures were to be provided with the response to this report

Massachusetts College of Art & Design's Response: As required in the program review report, the institution conducted a full file study of all Dependency Override student files for the 2010/11 and 2011/12 award years. Appendix F is a student specific detail of the school's full file review. The file review resulted in the following:

The institution coded dependency overrides for 6 students in the 2010/11 and 4 students in the 2011/12 award years. Documentation was collected to support the dependency override for Students 31, 32, 33, 37, and 38. Students 35, 39 and 40 were determined to be homeless and therefore independent. Student 36 was determined to be an orphan.

Of the 10 students coded as dependency overrides, only one (Student 34) required a recalculation. The institution was unable complete the recalculation worksheet for the student since the student had not provided parental information and has withdrawn from the institution.

Appendix B contains a copy of the institution's written response.

Final Determination: The institution was unable to collect the parent's tax information for the one required recalculation in the 2010/11 award year. Therefore, the institution cannot complete the required needs analysis and must return all Title IV funds disbursed to Student 34 in the 2010/11 award year. The total liability associated with this finding is \$4,675.69. A breakdown of the liability can be found in Section D of this report. Section E has repayment instructions.

The total amount of Direct Loan funds (subsidized and unsubsidized) disbursed to Student 34 who was treated as a Dependency Override during the 2010/11 award year is \$9,500.00. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on MCAD's most recent cohort default rate available. As a result, the estimated actual loss that MCAD must pay to the Department for the ineligible loans is \$ 123.97. A copy of the results of that calculation is included as Appendix D.

E. Payment Instructions

1. Liabilities Owed to the Department

MCAD owes to the Department \$4,675.00. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address. **Payment must be made via check and sent to the above Post Office Box, payment and/or adjustments made via GAPS/G5 will not be accepted as payment of this liability.**

The following identification data must be provided with the payment:

Amount: \$4,675.00
DUNS: 095876983
TIN: 046002284
PRCN: 2012-101-27730

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. MCAD is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to MCAD's account representative.

If full payment cannot be made within **45 days** of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6111
Washington, DC 20202-4461
Attn: Nancy I. Hoglund

If within 45 days of the date of this letter, MCAD has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due Massachusetts College of Art & Design from the Federal Government. **MCAD may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, MCAD must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

Pell – Closed Award Year

Finding: 2
Appendix: D

MCAD must repay \$4,500.00 in Federal Pell Grant funds for award year 2010-2011. This amount is included in the total amount owed to the Department in Section 1 above. The disbursement record for this student identified in Appendix E to the applicable finding must be adjusted in the Common Origination and Disbursement (COD) System based on the recalculated amount identified in the section D.

Adjustments in COD must be completed prior to remitting payment to the Department. **Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the payment to the applicable G5 award.**

A copy of the adjustment to each student's COD record must be sent to Mr. Edward Buckley **within 45 days of the date of this letter.**

Closed Award Years – Extended Processing

COD adjustments are necessary for closed award year 2010-2011. Before any student level adjustments can be processed, MCAD must request extended processing through the COD Website (<http://www.fedac.edu>).

- Click on Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, indicate in the explanation that the request is based on a program review, and provide the applicable program review control number (PRCN X).
- The institution will be notified of the status of its request at the time of submission, and will also be notified by email to the Financial Aid Administrator and President when extended processing has been authorized. At that time, the school can transmit student/borrower level adjustments to COD for the closed award year.

- Submit proof of COD adjustments to Mr. Edward Buckley as stated above